

Message Text

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PAGE 01 WARSAW 08926 151357Z
ACTION EUR-12

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FOR EUR/EX, FBO AND A/OS

E.O. 11652: N/A
TAGS: ABLD ASCH AFSP PL
SUBJ: PURCHASE OF WARSAW AMERICAN SCHOOL BUILDING FOR ZLOTYS

REF: (A) STATE 272783, (B) WARSAW 7145, (C) WARSAW 8858

1. THE MFA, IN A NOTE DATED NOVEMBER 30 (COPIES POUCHED TO DEPT) FINALLY DECLARED THE READINESS OF APPROPRIATE POLISH AUTHORITIES TO AGREE TO THE PURCHASE BY THE USG FOR EXCESS ZLOTYS OF THE BUILDING COMPLETED IN 1975 AND CURRENTLY BEING LEASED BY THE AMERICAN SCHOOL OF WARSAW. THE EMBASSY WAS ASKED TO CONTACT A DEPUTY MAYOR OF WARSAW, MR. CZESLAW GORSKI, TO DISCUSS CONDITIONS OF SALE AND OTHER FORMALITIES.

2. THE EMBASSY IMMEDIATELY SOUGHT A MEETING WITH GORSKI, BUT DID NOT RECEIVE A REPLY FROM HIM UNTIL DECEMBER 10, WHEN HE SAID HE WOULD BE ABLE TO MEET WITH EMOFFS DECEMBER 16 OR 17 FOLLOWING PREPARATION OF A CURRENT ASSESSMENT OF VALUE OF SCHOOL PROPERTY. THE ADMINISTRATIVE COUNSELOR URGED GORSKI TO GIVE US A PRELIMINARY PRICE OFFER AS SOON AS AVAILABLE IN VIEW OF OUR NEED TO ASSESS FUNDING POSSIBILITIES BEFORE THE END OF THE CALENDAR YEAR.

3. GORSKI TELEPHONED AGAIN DECEMBER 14 TO PROPOSE A MEETING WITH EMOFFS ON DECEMBER 21 AND TO CONVEY THE FOLLOWING TENTATIVE OFFERING PRICE: FOR PURCHASE OF THE SCHOOL BUILDING, 20 TO 25 MILLION ZLOTYS; FOR ADVANCE PAYMENT OF A 99-YEAR LEASE OF THE LAND ON WHICH THE BUILDING STANDS, APPROXIMATELY 95 MILLION ZLOTYS.

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PAGE 02 WARSAW 08926 151357Z

4. EMBASSY COMMENT: WE HAD ANTICIPATED AN ASKING PRICE OF ABOUT

20 MILLION ZLOTYS FOR THE ENTIRE PROPERTY. ANNUAL RENT FOR THE PROPERTY UNDER THE CURRENT LEASE IS 1,566,240 ZLOTYS, WHICH WILL COST 78,627 DOLLARS PER YEAR AT THE OFFICIAL RATE OF 19.92 FOR ONE DOLLAR. AN ALL-INCLUSIVE ASKING PRICE OF 20 TO 25 MILLION ZLOTYS (ABOUT 450,000 TO 550,000 DOLLARS) WOULD THEREFORE BE QUITE ATTRACTIVE AND WELL WITHIN THE TWELVE TO ONE COST/RENT RATIO GUIDELINES SET FORTH IN STATE 286895.

5. THE UNANTICIPATED ADDITIONAL DEMAND FOR A 99-YEAR ADVANCE LAND RENT PAYMENT JUST UNDER 100 MILLION ZLOTYS WOULD, OF COURSE, MAKE THE PROPOSED PURCHASE UNATTRACTIVE, SINCE CURRENT RENT, EVEN AT THE OFFICIAL 19.92/1 EXCHANGE RATE, WOULD AMOUNT TO LESS THAN THREE PERCENT OF THE OVERALL PRICE CALCULATED AT THE FAVORABLE 45/1 EXCHANGE RATE. SIGNIFICANTLY, LONG-STANDING BRITISH EFFORTS TO ACQUIRE A MORE ADEQUATE CHANCERY BUILDING IN WARSAW ARE CURRENTLY STALLED ON JUST SUCH AN UNREASONABLE POLISH DEMAND FOR A MASSIVE ADVANCE PAYMENT ON A 99-YEAR LEASE ON THE SITE. END COMMENT.

6. THE ECON/COMMERCIAL AND ADMIN COUNSELORS HAVE AN APPOINTMENT WITH GORSKI AT NOON ON DECEMBER 21, AT WHICH TIME THEY PLAN TO STRESS THE UNEXPECTED AND UNREASONABLE NATURE OF THE PROPOSED ADVANCE LAND RENT PAYMENT, INQUIRE AS TO THE BASIS FOR SUCH A STAGGERING FIGURE, AND SEEK TO HAVE THIS DEMAND DROPPED ENTIRELY OR AT LEAST SUBSTANTIALLY REDUCED OR CONVERTED TO AN ANNUAL BASIS AT REASONABLE RATES.

7. IN PREPARING FOR THE MEETING WITH GORSKI IT WILL BE HELPFUL TO KNOW, NO LATER THAN COB DECEMBER 20, THE DEPARTMENT'S REACTION IN PRINCIPLE TO PURCHASE OF THE SCHOOL BUILDING AT A PRICE IN THE NEIGHBORHOOD OF 20 TO 25 MILLION ZLOTYS AS WELL AS THE PROSPECTS FOR THE AVAILABILITY OF SPECIAL FOREIGN CURRENCY APPROPRIATIONS OF APPROXIMATELY 500,000 DOLLARS, ABOVE AND BEYOND THE 245,000 DOLLARS MENTIONED IN STATE 272783, TO FINANCE THIS PURCHASE.
BROWN

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